

Function 050: National Defense

The National Defense function includes the military activities of the Department of Defense (DoD), the nuclear-weapons related activities of the Department of Energy (DoE) and the National Nuclear Security Administration (NNSA), the national security activities of several other agencies such as the Selective Service Agency, and portions of the activities of the Coast Guard and the Federal Bureau of Investigation. The programs in this function include: the pay and benefits of active, Guard, and reserve military personnel; DoD operations including training, maintenance of equipment, and facilities; health care for military personnel and dependents; procurement of weapons; research and development; construction of military facilities, including housing; research on nuclear weapons; and the cleanup of nuclear weapons production facilities.

The President's budget includes \$459.7 billion for all non-war related national defense appropriated activities, including \$439.3 billion for DoD, \$16.0 billion for the nuclear weapons-related activities of DoE, and \$4.5 billion for miscellaneous national security activities in other agencies such as the Federal Bureau of Investigation and the Coast Guard. The budget also sets aside an additional \$120 billion for costs associated with the wars in Iraq and Afghanistan to account for the Administration's intention of submitting future war supplemental requests. Of this amount, \$70 billion is for 2006, and \$50 billion is for 2007.

Non-War Funding Remains Relatively Unchanged Since Last Budget Submission — Funding levels for National Defense, excluding emergency funding, remain relatively unchanged as compared to the out-year projections of the 2006 budget. Over the five-year period, 2007 to 2011, the 2007 budget reflects only a \$347 million reduction. For 2007, the budget reflects a \$2.9 billion reduction below the projected amount for 2007 in the President's 2006 budget. This reduction is more than offset in the following three years, which reflect increases of \$1.1 billion in 2008 and \$1.2 billion in each of 2009 and 2010. From year to year, the budget still maintains significant increases above inflation.

Comparison with 2006 President's Budget for National Defense (Budget Authority in Billions of Dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u> <u>2007-11</u>
FY 2006 Budget	462.6	481.0	501.0	511.0	524.2	2,479.8
FY 2007 Budget*	459.7	482.1	502.2	512.3	523.1	2,479.4
Change	-2.9	+1.1	+1.2	+1.2	-1.1	-0.3

*Note: The estimate for 2007 excludes the \$50 billion of anticipated war funding.

Budget Still Increases Above Inflation — Excluding anticipated war supplemental funding, the budget for appropriated National Defense programs totals \$459.7 billion for 2007. This represents an increase of \$27.9 billion, or 6.5 percent, above the 2006 enacted level, and an increase of \$16.3 billion, or 3.7 percent, above the amount that is needed to maintain purchasing

power at the 2006 level. Over the next five years, the budget increases funding for appropriated defense programs \$150.1 billion above the amounts needed to maintain purchasing power at the 2006 level (again, excluding the war and other supplemental funding provided in 2006).

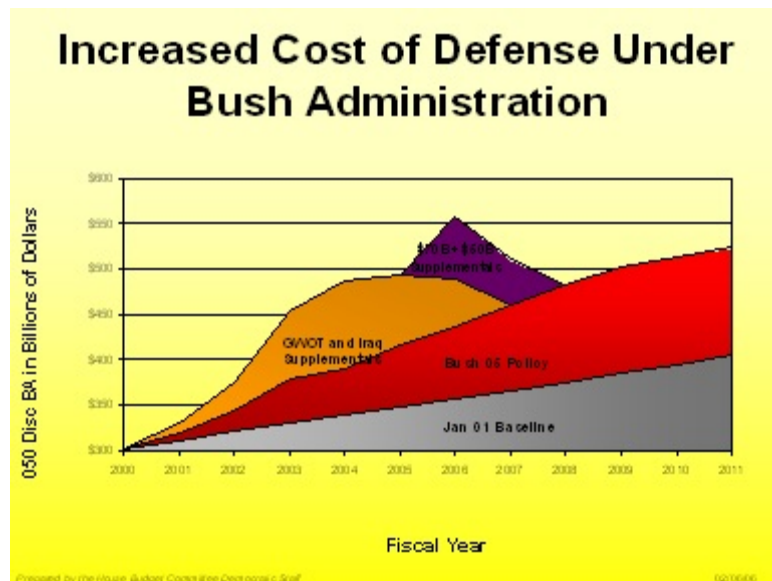
National Defense Budget Compared to Current Services (Budget Authority in Billions of Dollars)

	Enacted						Total
	2006	2007	2008	2009	2010	2011	2007-11
FY 2007 Budget	431.9	459.7	482.1	502.2	512.3	523.1	2,911.3
Current Services Level	431.9	443.4	454.2	465.6	477.1	488.9	2,761.2
Change	-	+16.3	+27.9	+36.6	+35.1	+34.2	+150.1

Long-Term Defense Increase is Significant — The increases in defense spending over the five years covered by this budget are only a portion of the actual and planned surge in defense since the beginning of the Bush Administration. The following chart shows the increase in the defense budget from \$301 billion in 2000 to \$523 billion planned for 2011. The total defense spending increase under this

Administration's policies (including the costs of our military operations in Iraq and Afghanistan through part of 2007) will exceed the CBO baseline released in January 2001, when President Bush took office, by \$1.3 trillion for the ten-year period from 2002 through 2011. This amount will increase because the Administration includes no funding for the wars in Iraq and Afghanistan beyond 2007.

While part of this increase is attributable to the response to the attacks of September 11, 2001, the subsequent war on terrorism (Operation Enduring Freedom) in Afghanistan, and the war in Iraq, the vast majority of the actual and planned increased defense spending under Bush administration policies is not directly related to Iraq or to the war on terrorism.



\$120 Billion for Operations in Iraq and Afghanistan — The budget sets aside \$120 billion of new emergency funding for operations in Iraq and Afghanistan – \$70 billion of which is for financing military operations through the remainder of 2006, and \$50 billion of which is for operations in 2007. The \$70 billion of new 2006 emergency funding is in addition to the \$50 billion already passed in the 2006 defense appropriations bill and increases total 2006

supplemental funding to \$120 billion. This is nearly \$20 billion more than the amount of supplemental funding appropriated for 2005. For 2007, \$50 billion will be woefully inadequate to finance operations for the entire year given the current rate of spending.

War Costs Have Steadily Increased — War costs have increased over the last three years due to the sustained high operational tempo in Iraq. For 2003, the Department of Defense obligated an average of \$6.3 billion per month for all war-related operations (\$4.4 billion per month to finance military operations in Iraq). Last year, the Department of Defense obligated \$7.4 billion per month (\$6.1 billion for Iraq), a \$1.1 billion per month increase.

Average Monthly Obligation Rate (Budget Authority in Billions of Dollars)			
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Iraq	4.4	5.0	6.1
Afghanistan	1.3	1.1	1.1
Noble Eagle	<u>0.5</u>	<u>0.3</u>	<u>0.2</u>
Total	6.3	6.4	7.4
<small>Note: Numbers may not add due to rounding. Estimates are derived from Defense Finance and Accounting Service (DFAS) reports in addition to estimated obligations for intelligence programs. These estimates do not include obligations for reconstruction or foreign aid.</small>			

Since 2001, approximately \$370 billion has been provided to finance military and reconstruction operations in Afghanistan and Iraq, and enhanced security at military installations and air patrols over the U.S. (Operation Noble Eagle). More than \$260 billion of that amount was provided for operations in Iraq alone. An additional \$120 billion would increase total funding to more than \$490 billion for all operations and funding for Iraq to more than \$350 billion (assuming future Iraq and Afghanistan war spending continues at a split of about 85 percent to 15 percent, the mix of obligations experienced in 2005). Below summarizes total resources provided in support of these operations:

Funding Summary for Iraq, Afghanistan, and Enhanced Security

(Budget Authority in Billions of Dollars)

	<u>2001-04</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
Funding Provided to Date					
DoD	177.8	106.8	52.0	-	336.6
State and other	27.6	5.1	1.5	-	34.2
Total Provided to Date	205.5	111.9	53.5	-	370.8
2007 Budget	-	-	-	3.8	3.8
DoD Supp Requests	-	-	70.0	50.0	120.0
Total Budget & New Supps	-	-	70.0	53.8	123.8
Total	205.5	111.9	123.5	53.8	494.6

Note: Estimates include military operations, reconstruction, foreign aid, diplomatic operations, and veterans' health care. The 2007 budget includes an estimated \$2 billion for DoD's Operation Noble Eagle and \$1.8 billion of foreign aid for Iraq and Afghanistan. 2006 includes \$50 billion of supplemental funding for the military provided in the 2006 defense appropriations bill, an estimated \$2 billion for Operation Noble Eagle, \$0.1 billion for foreign aid and diplomatic operations that was appropriated into regular accounts, and \$0.5 billion for veterans' health care. 2005 funding for DoD includes the \$25 billion "bridge" supplemental provided in the 2005 defense appropriations bill to show a more apples-to-apples comparison of funding as compared to 2006. CBO officially scores this funding as 2004 funding because the bill made the funds available in that year. Estimates also include DoD funding transfers from regular accounts. Numbers may not add due to rounding.
Source: CRS, Defense Financing and Accounting Service reports, 2007 President's Budget

The Department of Defense

Increase for the Department of Defense (DoD) — The budget increases funding for appropriated DoD programs by \$28.4 billion (6.9 percent) above the enacted 2006 amount (excluding supplemental funding). The budget request of \$439.3 billion for DoD is \$17.3 billion (4.1 percent) above the amount needed to maintain purchasing power at the 2006 level.

The Quadrennial Defense Review (QDR) — This year's QDR, performed once every four years, marks the first conducted since September 11th. As a result of this review, DoD says it placed emphasis on four priority areas for the 2007 budget: (1) Prevail in Irregular Warfare Operations; (2) Defend the Homeland Against Advanced Threats; (3) Maintain America's Military Superiority; and (4) Support service members and their families. As part of this strategy, the budget includes a 14,000 personnel increase in Special Operations Forces (\$5.1 billion), increases language and cultural awareness training (\$181 million), continues conversion of Army brigades (\$6.6 billion), and expands missile defense efforts (\$10.4 billion). While the QDR recommended eliminating and reducing some smaller acquisition programs, the largest weapons systems like DD(X), Future Combat System, and Missile Defense were left intact.

Military Pay and Benefits — The budget includes an across-the-board military pay raise of 2.2 percent, down from 3.1 percent last year, which translates into an increase of \$1.1 billion. This pay raise matches private sector raises as measured by the employment cost index (ECI). This year, DoD is no longer required by law to provide pay raises that are one-half of one percent above the ECI. Senior and mid-grade enlisted and warrant officers with special skills will also receive new targeted pay raises, which will be phased in later in 2007, which cost \$263 million. The budget also includes \$1.9 billion for retention bonuses and incentives.

Retired Military Health Benefits — The budget increases enrollment fees and deductibles for military retirees under the age of 65, and assumes savings totaling \$735 million for 2007. For these retirees, their share of health care costs will increase from 12 percent to 15 percent. The Department's proposed plan makes no change in the cost for active-duty members.

Restructuring of Forces — The budget finances the restructuring of U.S. ground forces, which includes the Army's initiative to increase the number of active army brigades from 33 maneuver brigades to 42 brigade combat teams and increases the National Guard brigade combat teams from 15 to 28. A total of 70 brigade combat teams reflects a seven brigade decrease from earlier plans. The revised plan drops the number of active combat teams from 43 to 42 and reduces National Guard combat teams from 34 to 28. In place of the six combat teams, the National Guard will instead create combat support and combat service support brigades. The budget includes \$6.6 billion for this effort for 2007 and \$40.6 billion over fiscal years 2007 through 2011.

Military End Strength — The budget falls short of funding 30,000 authorized Army and 4,000 authorized Marine Corps personnel. These higher end strength levels will be funded in supplemental appropriations. For the Navy and Air Force active personnel, the budget reflects end strength below authorized levels – 12,000 below authorization for the Navy, and 23,200 below authorization for the Air Force. The budget funds end strength levels that are nearly 23,000 below authorized levels for the Guard and Reserve. The Army National Guard, which has been relied heavily upon for current war operations, is funded at an end strength level of 332,900, 17,100 below authorized levels. DoD has indicated that it would request more funds through supplemental appropriations if it could recruit and retain Army National Guard forces at a higher level.

Base Realignment and Closure (BRAC) — The budget includes \$5.6 billion in 2007 to finance implementation of decisions from the 2005 BRAC Commission.

Department of Defense by Title — The following table compares the President's request with both the 2006 enacted level and the level that is estimated to maintain purchasing power at the 2006 level (the "Inflation-Adjusted" column).

The DoD Budget by Title:
Comparisons with the 2006 Enacted Level and
the Level Needed to Maintain Purchasing Power,
Excluding 2006 Supplemental Funds
(Discretionary Budget Authority in Billions of Dollars)

	Enacted	2007	Dollar	Percent	Inflation	Dollar	Percent
	2006	Budget	Change	Change	Adjusted	Change	Change
					2006		
Personnel	106.8	110.8	4.0	3.7	110.7	0.0	0.0
O&M	142.6	152.0	9.5	6.6	146.7	5.3	3.6
Procurement	76.3	84.2	7.9	10.4	77.6	6.6	8.5
RDT&E	71.0	73.2	2.2	3.1	72.3	0.8	1.1
Mil Construction	8.0	12.6	4.6	57.3	8.2	4.4	54.2
Family Housing	4.0	4.1	0.1	2.6	4.1	0.0	0.7
Other DoD	2.3	2.4	0.1	5.6	2.3	0.1	3.7
Total DoD	410.9	439.3	28.4	6.9	422.0	17.3	4.1

Military Personnel — The military personnel accounts fund the pay and allowances of active and reserve personnel, and include accrual payments for future retirement and health benefits. The personnel budget is \$4.0 billion (3.7 percent) above the 2006 enacted level, and is slightly higher (\$45 million) than the level needed to maintain purchasing power at the 2006 level.

Operations and Maintenance (O&M) — The O&M accounts are critical to readiness because they fund training, military exercises and operations, spare parts, fuel, and all the other items a military force needs to operate its forces and installations. As the table indicates, the O&M budget is \$9.5 billion (6.6 percent) above the 2006 enacted level, and \$5.3 billion (3.6 percent) above the level needed to maintain purchasing power at the 2006 level. The budget assumes approximately \$3 billion for increased fuel costs as compared to last year's projection.

Procurement — The budget includes \$84.2 billion for procurement of weapons systems and military equipment including aircraft, ships, vehicles, and satellites. This level is \$7.9 billion (10.4 percent) more than the 2006 enacted level, and is \$6.6 billion (8.5 percent) above the amount needed to maintain purchasing power at the 2006 level.

Research and Development — The budget includes \$73.2 billion for research, development, test, and evaluation programs (RDT&E). This level is \$2.2 billion (3.1 percent) more than the 2006 enacted level, and \$810 million (1.1 percent) above the amount needed to maintain purchasing power at the 2006 level.

Military Construction — These accounts fund the facilities where military personnel work and the barracks where single enlisted personnel live. The 2007 funding level of \$12.6 billion for

construction of new facilities in the budget is \$4.6 billion (57.3 percent) above the 2006 enacted level, and is \$4.4 billion (54.2 percent) above the amount needed to maintain purchasing power at the 2006 level. Nearly all of the increase is attributed to the implementation of BRAC 2005 decisions.

Selected Program Highlights

Ballistic Missile Defense — The budget includes \$10.4 billion for ballistic missile defense (BMD) programs, an increase of \$1.7 billion (19.0 percent) above the 2006 enacted level. The 2007 budget includes deploying additional ground- and sea-based interceptors and procurement of two additional forward-deployed radars. The budget also includes funding to enhance space-based early warning systems.

Shipbuilding — The budget includes procurement of seven new ships in the shipbuilding budget, which is one more than the number of new ships being built in 2006. They include: one Virginia class submarine, two DD(X) destroyers, two Littoral Combat Ships, one LHA(R) amphibious assault ship, and one T-AKE dry cargo/ammunition ship. Six of the seven ships are funded from the Shipbuilding and Conversions, Navy account. Construction of the T-AKE is funded from the National Defense Sealift Fund. The 2007 shipbuilding budget deviates from the policy of fully funding ships in the year construction begins. It split-funds the construction of two DD(X) destroyers over two years, budgeting half of the funding for each ship in 2007, and the remaining half in 2008.

Selected Weapons Programs — The budget increases funding over the 2006 enacted level for the Joint Strike Fighter aircraft by \$570 million to \$5.3 billion, for the Army's Future Combat System vehicles by \$622 million to \$3.7 billion, for the Transformational Satellite by \$438 million to \$867 million, and for Unmanned Aerial Vehicles by \$42 million to \$1.7 billion. Funding is reduced for the F-22 Raptor by \$1.4 billion to \$2.8 billion, for Stryker Armored Vehicles by \$267 million to \$809 million, and for the Joint Direct Attack Munition (JDAM) by \$27 million to \$275 million.

Science and Technology R&D — Science and technology (S&T) programs represent investment in the future technologies needed to keep our military capability second to none. Both the Administration and Congress have embraced the goal of devoting 3.0 percent of DoD resources to S&T programs. However, for the sixth straight year, the Administration's budget finances S&T below the 3.0 percent goal. The budget includes \$11.1 billion for these efforts for 2007, which equates to a 2.6 percent share of DoD funding.

DoD Nonproliferation — The bulk of U.S. nonproliferation funding is within DoE, but the DoD budget includes the Cooperative Threat Reduction program. This program is often called the

Nunn-Lugar program, after its primary legislative sponsors, former Senator Sam Nunn and Senator Richard Lugar. The Nunn-Lugar program focuses on the dismantlement of nuclear missiles and chemical weapons. The budget includes \$372 million for the Nunn-Lugar program, which is \$39 million (9.5 percent) below the 2006 enacted level.

Atomic Energy Defense Activities

The budget provides \$16.0 billion for the nuclear weapons-related activities of DoE and other agencies. This is \$419 million (2.6 percent) below the 2006 enacted level. It is \$729 million (4.4 percent) below the amount needed to maintain purchasing power at the 2006 level.

Nuclear Nonproliferation Programs — DoE oversees several important programs to stop the spread of nuclear materials to terrorist groups and nations that are hostile to the United States. Most of these programs are focused on Russia and other states of the former Soviet Union. The budget provides \$1.7 billion for these programs for 2006, which is \$111 million above the 2006 enacted level and \$76 million above the amount needed to maintain purchasing power at the 2005 level.

Weapons Activities/Stockpile Stewardship — This program maintains the safety and reliability of nuclear weapons in the absence of underground tests. Stockpile stewardship relies on computer modeling, surveillance of weapons, and experiments that do not produce nuclear yields. The budget provides \$6.4 billion for the stockpile stewardship program, which is \$38 million (0.6 percent) more than the 2006 enacted level. This is \$101 million (1.6 percent) below the amount needed to maintain purchasing power at the 2006 level.

Cleanup of Former Weapons Production Sites — The budget provides \$5.4 billion in the accounts dedicated to environmental activities, primarily the cleanup of nuclear and other hazardous waste, at DoE's weapons production sites. This is \$740 million (12.1 percent) below the 2006 enacted level. It is \$880 million (14.0 percent) below the amount needed to maintain purchasing power at the 2006 level.